

service area are included in the proposed system, the loan may include funds for both portions.

(2) Where the acquisition of an existing system located in and serving a nonrural area is necessary to serve as the nucleus of an expanded system to furnish area coverage service in rural areas, the loan may include funds to finance the acquisition.

(3) When a system is being converted to modern service for rural subscribers, the loan may include funds for the conversion of the nonrural facilities, if the rural service will be improved as a result of such nonrural improvements and it is impractical to finance and serve the nonrural and rural areas separately.

(4) A loan may include funds to serve nonrural subscribers located in community centers frequently called by the rural subscribers if the construction to serve such nonrural subscribers will be incidental to, and contribute substantially to, the provision of adequate service for the rural subscribers.

(d) RUS may also approve financing for facilities to serve nonrural areas if, at the time financing was first approved by RUS:

(1) The nonrural area had a population of 1,500 or less when first financed by RUS and that financing was approved prior to November 1, 1993; or

(2) The nonrural area had a population of 5,000 or less when first financed by RUS and that financing was approved on or after November 1, 1993.

[54 FR 13351, Apr. 3, 1989. Redesignated at 55 FR 39395, Sept. 27, 1990, as amended at 58 FR 66253, Dec. 20, 1993]

§ 1735.14 Borrower eligibility.

(a) RUS makes loans to:

(1) Entities providing, or who may hereafter provide, telephone service in rural areas;

(2) Public bodies providing telephone service in rural areas as of October 28, 1949; and

(3) Cooperative, nonprofit, limited dividend or mutual associations.

(b) RUS does not make loans to individuals.

(c) RUS gives preference to those borrowers (including initial loan applicants) already providing telephone service in rural areas, and to coopera-

tive, nonprofit, limited dividend, or mutual associations. To be eligible for a loan, a borrower must provide or propose to provide the basic local exchange telephone service needs of rural areas, and it must be incorporated.

[58 FR 66253, Dec. 20, 1993]

§ 1735.15 Civil rights.

Borrowers are required to comply with certain regulations on nondiscrimination and equal employment opportunity. See RUS Bulletin 320–19 and RUS Bulletin 320–15, respectively.

§ 1735.16 Minimum loan amount.

Recognizing plant costs, the borrower's cost of system design, and RUS's administrative costs, RUS will not consider applications for loans of less than \$50,000.

§ 1735.17 Facilities financed.

(a) RUS makes hardship and guaranteed loans to finance the improvement, expansion, construction, acquisition, and operation of systems or facilities (including station apparatus owned by the borrower, headquarters facilities, and vehicles not used primarily in construction) to furnish and improve telephone service in rural areas, except as noted under paragraph (c) of this section.

(b) RUS makes concurrent RUS cost-of-money and RTB loans to finance the improvement, expansion, construction, and acquisition of systems or facilities (excluding station apparatus owned by the borrower, headquarters facilities, and vehicles not used primarily in construction) to furnish and improve telephone service in rural areas, except as noted under paragraph (c) of this section.

(c) RUS will not make any type of loan to finance the following items:

(1) Station apparatus (including PBX and key systems) not owned by the borrower and any associated inside wiring;

(2) Certain duplicative facilities, see § 1735.12;

(3) Facilities to serve subscribers outside the local exchange service area of the borrower unless those facilities are necessary to furnishing or improving